

Chicago Blower Corporation Profit Sharing & 401(k) Plans

Compensation & Capital's Financial Planning Commentary as of June 30, 2015

“What’s More Important to Your Investing Strategy Now: Greece, China or Your Birth Date?”

Americans’ inherent nature to zig where others have zagged is clearly a source of national pride. Our collective mindset of independence, personal freedom and preference for the unique over the accepted has fired our ability to innovate. But as vital as being “special” has been to our global success, there are absolutely areas of our lives where “Go With the Crowd” is most frequently the recommended strategy.

Determining the most appropriate mix of investments for your retirement Plan account is a perfect example. That’s because, for the vast majority of retirement investors, the consensus investment mix appropriate to your age will most likely work best. That said, given that each of our financial situations, values and goals are unique, there’s definitely virtue in examining the consensus in light of the “special” that’s you. So let’s consider how consensus investment mix prescriptions – formally known as “Strategic Asset Allocation” (SAA) - tell us we should invest as well as prospects for those strategies and a few viable exceptions that might alter an arbitrary application of a consensus SAA to your Plan account.

SAA describes the proportion of the broader investment classes (stocks, bonds and shorter-term reserves) that comprise a diversified portfolio. SAA has been proven to be the most critical facet in

As important as investing is, don’t forget: It’s only one facet of retirement planning. Saving and lifestyle are always the more important of the trio. You can’t invest unless you save. You can’t save if your lifestyle prohibits it. To succeed you must get all three right!

determining any portfolio’s success or failure to meet its goals for returns over its targeted timeframe. Bottom line, get your SAA correct and you’re about 88% assured of meeting your investing goals.

In general, consensus SAA’s are constructed to accept more portfolio volatility (shorter term, market-driven fluctuations in your account’s value) for investors with longer timeframes. Stocks are more volatile than bonds. But stocks have historically produced higher returns. When paycheck replacement in retirement is your portfolio’s goal, consensus dictates an SAA at retirement “target date” of around 50% stocks and 50% bonds (that is, “50/50”). In contrast, consensus SAA for investors 40 years away from retirement is in the 90/10 range. Investors 20 years away from retirement: 75/25. Investors (retirees) 10 years *into* retirement: 30/70.

These SAA’s are principally driven by two factors. First and probably most important to our personal emotional well-being is each SAA’s potential short-term downside risk. In other words, how much short-term loss could you potentially need to stomach while sticking with the SAA? Second, but equally as important to statistical investment success: How long will it take to recover from that loss? This table^(a) says it all. In short: More stocks beget bigger downside risk requiring longer recovery. If you can’t absorb the potential loss, don’t take the risk. If you

SAA (Stocks-to-Bonds)	→ 90 / 10	50 / 50	30 / 70
Downside Risk	Down 55%	Down 30%	Down 18%
Months to Recover	30 months	18 months	8 months
Target Return Annualized	~ 7½%	~ 5½%	~ 4%

want/need the higher target returns, you need to take the risk and stick with the SAA until your age deems a reduction to your allocation to stocks, then continue those adjustments as your life proceeds^(b).

As we said in our opening paragraphs, these consensus SAA’s work well for *most* Americans but aren’t the “last word” for everyone. Personal anomalies such as: Severe emotional aversion to investment loss, access to a former employer’s or spouse’s pension benefit, substantial savings accumulated early in life, intent to provide heirs with inheritance, intent to use a portion of your retirement savings as a loan for house down payment, health issues, significant age differences between spouse and/or unusual family situations.

Finally, you probably noticed that these special circumstances didn’t include Greece, China, the Fed, or any story du jour on CNBC. Only *your* special circumstances should impact your selection of an SAA for you.

^(a) The statistics presented are hypothetical and, though based upon historical experience, intended only to present relative levels of future estimated target returns for each SAA. Downside risk and recovery periods are based upon 2008/09 capital crisis performance for portfolios ascribing to each SAA and structured with broad-based indexed funds.

^(b) Your CBC Plan’s investing menu includes the comprehensive set of Vanguard Target Date Funds. These funds provide for “auto-pilot” investing and SAA migration (lightening up on risk) as you progress through your career and retirement.

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Compensation & Capital's June 30, 2015

Retirement Saving and Investing "Action Points"

U.S. Federal Reserve Rate Hike Grows Closer to Reality – Are Bad Times Ahead For All?

One of the most continual and significant sources of uncertainty driving financial market ups and downs over the past several years has been speculation over when the Federal Reserve will begin raising interest rates. A bit of background: In the wake of the 2008 capital crisis our Federal Reserve reduced their target "Fed Funds Rate" to effectively 0% and maintained it there since. This interest rate is the cost that U.S. banks pay our Central Bank ("the Fed") to borrow. Therefore, reducing the rate – especially to such a low level – is intended to encourage bank lending and hopefully stimulate economic activity. The debate as to whether the Fed's initial and prolonged zero-based rate has produced the desired constructive results without creating damaging ones will be active for years to come. We'll avoid that "snake pit" of debate for this discussion. Let's focus upon what's likely to happen as we move back toward a more normal interest rate environment.

Financial markets, both stock and bond, have responded consistently negatively any time over the past three-plus years when a rate hike has appeared imminent. That negativity has been echoed by most media economic talking heads. Now we need to be perfectly clear that we are not predicting the first Fed rate hike anytime soon. But sooner or later, it will come. So when the Fed finally announces its first move up the scale, will that portend "Good Times" or "Bad Times" to come?

Stepping back for a moment from the more micro discussion of exactly who might be helped or hurt by the rate hike, let's consider why the hike announcement may, in fact, be a good thing to hear.

Just as the Fed's move in 2008 to zero-base was meant to stimulate our then-ailing economy, an announcement to raise the rate would presumably indicate that the Federal Reserve's decision makers have decided that the current economy in the U.S. and, to a lesser extent, the world as a whole are on much improved financial footing. That's indisputably good news - provided you agree with the Fed's governors. (Once again, we'll leave that interminable argument for the pundits.) Hands down, there are few in our world that will not be benefitted by a more prosperous economic cycle. Problem is, the bad news is more likely about the transition than the medium and longer term.

That's because as with just about every economic transition, an increase in the Fed's short-term interest rate will create dislocations from the status quo across the entire landscape of participants. Investors (like you in your 401(k) Plan), borrowers (like those of you with adjustable rate mortgages or hoping to buy a home soon), employees hoping for a raise (like most all of us), travelers (especially those going to foreign countries), retirees (who depend upon Social Security and conservative bond investments), banks (who's very existence depends primarily upon making loans), insurance companies and pension plans (who sustain the lives of millions of Americans on fixed incomes), global corporations (who rely upon stable currency values to support their international markets) – each of these players will be impacted across a wide range of helps and hurts.

To make the analysis of the transitional effects even less conclusive, the impact of a return to more normal interest rates will be felt in varying directions in varying degrees by each group of players depending upon the timeframe in which the impacts are assessed. Short term, the impact upon each of us personally could be far different from its medium and longer term results.

An enduring and prominent goal of our *Action Points* in concert with our *Quarterly Commentary* has been to instill in our retirement investor readers the stability of purpose that comes with a broad-based, top-down view of economic and financial market cycles. There is no doubt that our capital markets can't comfortably digest every mistake – 2008/09 proved that. But the medium term success of retirement plan investors that held the line on their appropriate strategies thereafter for the past seven-plus years certainly lends credibility to the contention that in the larger scheme of things, a Fed rate hike is just one of many bites that all players in the economy will ultimately digest just fine.

Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended June 30, 2015)

(1) A fund with a 18th Ranking outperformed 82% of its peers.

Remember: Past performance is absolutely NOT a guarantee of future performance!

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

NAME OF VANGUARD SELECT VENUE FUND <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile ⁽¹⁾ Ranking Past		OER ⁽²⁾	Total Return Performance for		Average Annualized Total Return for:			
		5 Years	15 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
PRIME MONEY MARKET - VMMXX	Money Market	18th	12th	0.14%	0.0%	0.0%	0.0%	0.0%	1.6%	1.9%
<i>Money Market Funds >></i>		<i>Category Average >></i>		0.17%	0.0%	0.0%	0.0%	0.0%	1.4%	1.8%
INTERMEDIATE TERM BOND INDEX ADM - VBILX	Bonds	18th	5th	0.10%	-1.9%	2.4%	2.2%	4.6%	5.3%	6.4%
<i>Intermediate Bond Funds >></i>		<i>Category Average >></i>		0.85%	-1.5%	1.0%	2.3%	3.7%	4.2%	5.1%
INFLATION PROTECTED SECURITIES ADM - VAIPX	Bonds	7th	46th	0.10%	-1.3%	-1.8%	-0.9%	3.2%	4.0%	5.9%
<i>Inflation-Protected Bond Funds >></i>		<i>Category Average >></i>		0.77%	-1.0%	-2.8%	-1.2%	2.4%	3.2%	5.5%
WELLINGTON ADMIRAL - VWENX	Bonds & Stocks	9th	3rd	0.18%	-0.5%	3.6%	11.8%	12.2%	8.0%	8.0%
<i>Moderate Allocation Funds >></i>		<i>Category Average >></i>		0.90%	-0.5%	2.1%	10.1%	10.4%	6.0%	5.1%
EQUITY INCOME ADMIRAL - VEIRX	Stocks	10th	23rd	0.20%	-0.3%	3.1%	15.1%	17.1%	8.4%	7.7%
<i>Large-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.13%	-0.1%	3.2%	15.8%	15.0%	6.6%	6.5%
500 INDEX ADMIRAL - VFIAX	Stocks	20th	43rd	0.05%	0.3%	7.4%	17.3%	17.3%	7.9%	4.3%
<i>Large-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.06%	-0.1%	5.5%	16.5%	15.8%	7.3%	4.6%
SELECTED VALUE - VASVX	Stocks	35th	12th	0.41%	1.2%	1.2%	19.0%	17.1%	8.7%	11.2%
<i>Mid-Cap U.S. Value Stock Funds >></i>		<i>Category Average >></i>		1.23%	-0.9%	2.9%	17.8%	16.1%	8.0%	9.0%
GROWTH INDEX ADMIRAL - VIGAX	Stocks	19th	49th	0.09%	-0.2%	9.6%	17.9%	18.7%	9.1%	3.2%
<i>Large-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.19%	0.5%	9.4%	17.5%	17.0%	8.3%	3.2%
MID-CAP GROWTH INVESTOR - VMGRX	Stocks	14th	55th	0.44%	-0.4%	13.2%	18.4%	19.1%	10.6%	5.0%
<i>Mid-Cap U.S. Growth Stock Funds >></i>		<i>Category Average >></i>		1.30%	0.4%	8.9%	17.5%	16.8%	8.9%	5.4%
SMALL-CAP INDEX ADMIRAL - VSMAX	Stocks	19th	54th	0.09%	-0.6%	5.2%	18.7%	18.2%	9.5%	8.5%
<i>Small-Cap U.S. Blend Stock Funds >></i>		<i>Category Average >></i>		1.24%	-0.1%	3.4%	16.7%	16.0%	7.9%	8.6%
INTERNATIONAL GROWTH ADMIRAL - VWILX	Foreign Stocks	34th	25th	0.34%	1.2%	-1.5%	12.4%	10.6%	7.2%	4.3%
<i>Foreign Large Growth Stock Funds >></i>		<i>Category Average >></i>		1.36%	1.5%	-0.6%	11.3%	9.9%	6.0%	3.3%
EMERGING MARKETS INDEX ADMIRAL - VEMAX	Foreign Stocks	39th	38th	0.15%	1.7%	-2.4%	4.1%	4.1%	7.9%	8.1%
<i>Diversified Emerging Markets Stock Funds >></i>		<i>Category Average >></i>		1.56%	0.7%	-6.7%	3.8%	3.5%	7.3%	7.6%
ENERGY ADMIRAL - VGELX	Energy Stocks	34th	4th	0.32%	-1.0%	-26.8%	2.1%	5.7%	5.7%	10.2%
<i>Energy Sector Stock Funds >></i>		<i>Category Average >></i>		1.49%	-1.4%	-29.3%	3.1%	4.4%	4.2%	7.4%

Chicago Blower Corporation Profit Sharing & 401(k) Plans' Vanguard Funds Performance Specifics and Comparatives

(All for periods ended June 30, 2015)

(1) A fund with a 6th Ranking outperformed 94% of its peers.

Remember: Past performance is absolutely NOT a guarantee of future performance!

(2) "OER" or Operating Expense Ratio: Annual % of fund assets paid for fund operations and mgmt.

VANGUARD INDEXED AUTO-BALANCED FUND <i>Morningstar Category Name</i>	Securities Type(s)	Morningstar™ Category Percentile ⁽¹⁾ Ranking Past		OER ⁽²⁾	Total Return Performance for		Average Annualized Total Return for:			
		1 Year	5 Years		Past Qtr	12 Mos	3 Yrs	5 Yrs	10 Yrs	15 Yrs
TARGET RETIREMENT INCOME - VTINX	Target Date 2000-2010	10th	15th	0.16%	-0.9%	1.9%	5.4%	6.8%	5.2%	N/A
<i>Retirement Income Funds >></i>		<i>Category Average >></i>		0.53%	-1.0%	0.5%	4.6%	5.7%	4.0%	3.7%
TARGET RETIREMENT 2010 - VTENX	Target Date 2000-2010	9th	30th	0.16%	-0.8%	2.2%	7.0%	8.4%	N/A	N/A
<i>Target Date 2000-2010 Funds >></i>		<i>Category Average >></i>		0.53%	-0.6%	0.7%	6.4%	7.4%	4.6%	3.1%
TARGET RETIREMENT 2015 - VTXVX	Target Date 2011-2015	4th	11th	0.16%	-0.6%	2.6%	8.8%	9.7%	6.0%	N/A
<i>Target Date 2011-2015 Funds >></i>		<i>Category Average >></i>		0.45%	-0.7%	1.0%	7.3%	8.1%	4.3%	2.8%
TARGET RETIREMENT 2020 - VTENX	Target Date 2016-2020	9th	9th	0.16%	-0.6%	3.0%	10.2%	10.7%	N/A	N/A
<i>Target Date 2016-2020 Funds >></i>		<i>Category Average >></i>		0.52%	-0.7%	1.2%	7.8%	8.7%	4.8%	3.0%
TARGET RETIREMENT 2025 - VTXVX	Target Date 2021-2025	12th	21st	0.17%	-0.4%	3.1%	11.2%	11.5%	6.3%	N/A
<i>Target Date 2021-2025 Funds >></i>		<i>Category Average >></i>		0.46%	-0.5%	1.6%	9.6%	10.5%	5.5%	N/A
TARGET RETIREMENT 2030 - VTENX	Target Date 2026-2030	21st	16th	0.17%	-0.2%	3.2%	12.2%	12.4%	N/A	N/A
<i>Target Date 2026-2030 Funds >></i>		<i>Category Average >></i>		0.51%	-0.4%	1.8%	10.1%	10.5%	5.3%	3.1%
TARGET RETIREMENT 2035 - VTXVX	Target Date 2031-2035	25th	14th	0.18%	-0.1%	3.3%	13.2%	13.2%	6.8%	N/A
<i>Target Date 2031-2035 Funds >></i>		<i>Category Average >></i>		0.46%	-0.2%	2.2%	11.6%	12.0%	6.0%	N/A
TARGET RETIREMENT 2040 - VTENX	Target Date 2036-2040	27th	12th	0.18%	0.1%	3.3%	13.8%	13.5%	N/A	N/A
<i>Target Date 2036-2040 Funds >></i>		<i>Category Average >></i>		0.52%	-0.2%	2.2%	11.2%	11.6%	5.7%	2.9%
TARGET RETIREMENT 2045 - VTXVX	Target Date 2041-2045	28th	14th	0.18%	0.1%	3.3%	13.8%	13.5%	7.1%	N/A
<i>Target Date 2041-2045 Funds >></i>		<i>Category Average >></i>		0.46%	-0.4%	2.4%	12.5%	12.7%	6.4%	N/A
TARGET RETIREMENT 2050 - VTENX	Target Date 2046-2050	30th	17th	0.18%	0.1%	3.3%	13.8%	13.5%	N/A	N/A
<i>Target Date 2046-2050 Funds >></i>		<i>Category Average >></i>		0.51%	-0.2%	2.3%	12.1%	11.9%	6.0%	N/A
TARGET RETIREMENT 2055 - VTXVX	Target Date 2051+	34th	n/a	0.18%	0.1%	3.2%	13.8%	N/A	N/A	N/A
<i>Target Date 2051+ Funds >></i>		<i>Category Average >></i>		0.45%	0.1%	2.6%	13.2%	12.8%	N/A	N/A
LIFE STRATEGY CONSERVATIVE - VSCGX	Conservative Allocation	6th	34th	0.15%	-1.1%	2.8%	7.2%	7.8%	5.3%	4.8%
<i>Conservative Allocation Funds >></i>		<i>Category Average >></i>		0.81%	-0.9%	-0.2%	5.9%	7.0%	4.8%	4.7%
LIFE STRATEGY GROWTH - VASGX	Aggressive Allocation	25th	32nd	0.17%	-0.1%	3.3%	12.5%	12.4%	6.5%	4.5%
<i>Aggressive Allocation Funds >></i>		<i>Category Average >></i>		0.86%	-0.4%	1.7%	11.9%	11.8%	6.0%	4.3%